The impact of corporate charitable giving on hospitality firm performance: Do well by doing good?

Abstract

While corporate charitable giving (CCG) may have a positive or negative effect on corporate performance (based on value enhancement theory and agency cost theory, respectively), it is also possible that CCG could have no impact at all. This paper tests the extent to which CCG can influence corporate performance of Taiwan's publicly traded hospitality companies. The variable of CCG is defined as the ratio of the total value of corporate giving to total sales revenue. The measures of corporate performance are profitability (return on assets and return on equity), stock performance and Tobin's Q. Panel regression test results reveal that CCG can affect all measures of corporate performance except for stock return. In particular, the impact of CCG on return on assets, return on equity and Tobin's Q is an inverted U-shape, implying that an increased CCG can enhance corporate performance, but as the level of CCG reached the optimal point, an increase in CCG could have a negative influence on corporate performance. Empirical test results can offer valuable managerial insights for the hospitality industry.

Keywords: Corporate charitable giving; Publicly traded hospitality companies; Corporate performance